

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Village of Howard City

Montcalm County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended February 28, 2007

Village of Howard City

Montcalm County, Michigan

Contents

February 28, 2007

Independent Auditor's Report	1
Management's Discussion and Analysis	3 - 8
BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12 - 13
Fund Financial Statements	
Governmental Funds	
Balance Sheet	14
Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	15
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Net Assets	19
Statement of Cash Flows	20
Fiduciary Funds	
Statement of Net Assets	21
Notes to Basic Financial Statements	25 - 38
Required Supplemental Information	
General Fund	
Balance Sheet	40
Budgetary Comparison Schedule	41 - 42
Major Streets Special Revenue Fund	
Balance Sheet	44
Budgetary Comparison Schedule	45
Local Street Fund	
Balance Sheet	46
Budgetary Comparison Schedule	47
Ensley/Washburn Project Fund	
Balance Sheet	48
Statement of Revenues, Expenditures and Changes in Fund Balance	49
2006 Capital Project Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance	50

Village of Howard City

Montcalm County, Michigan

Contents

February 28, 2007

Other Supplemental Information

Nonmajor Funds

Combining Balance Sheet	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	53
Locally Raised Street Fund	
Balance Sheet	54
Budgetary Comparison Schedule	55
Street Bond Debt Service Fund	
Balance Sheet	56
Statement of Revenues, Expenditures and Changes in Fund Balance	57

Long-term Debt Schedules

\$211,000 2006 Act 99 Installment Purchase Agreement	60
\$558,000 Sewer System Revenue Bonds, Series 1984	61
\$439,362 Renaissance Zone Loan	62
\$115,000 1997 Michigan Transportation Bonds	63
\$190,000 Water and Sewer System Revenue Bonds, Series 1997	64
\$120,000 Fire Truck Installment Purchase Agreement	65
\$67,100 Backhoe Installment Purchase Agreement	66
\$500,000 2005 Michigan Transportation Fund Bonds	67

AUDITORS' REPORTS

Communication with Audit Committee or its Equivalent	71
Management Comments Letter	73 - 74

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Howard City
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Village of Howard City as of and for the year ended February 28, 2007 and 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Howard City management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Village of Howard City as of February 28, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Howard City basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan
May 21, 2007

Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 28, 2007

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net assets decreased -% from a year ago, decreasing from \$2,885,321 to \$2,871,091. Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$24,381 for the governmental activities. This represents an increase approximately 6%. The current level of unrestricted net assets for our governmental activities stands at \$443,455, or about 33% of expenses. This is within the targeted range set by the Village Council during its last budget process.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2006	2006
Current assets	\$ 282,627	\$ 266,100	\$ 223,249	\$ 199,717	\$ 505,876	\$ 465,817
Noncurrent assets	2,051,977	1,911,548	2,137,337	2,226,176	4,189,314	4,137,724
Total assets	2,334,604	2,177,648	2,360,586	2,425,893	4,695,190	4,603,541
Long-term debt outstanding	1,099,141	942,205	597,000	656,000	1,696,141	1,598,205
Other liabilities	109,101	98,978	18,857	21,037	127,958	120,015
Total liabilities	1,208,242	1,041,183	615,857	677,037	1,824,099	1,718,220
Net assets						
Invested in capital assets - net of debt	887,299	896,151	1,540,337	1,570,096	2,427,636	2,466,247
Unrestricted	239,063	240,314	204,392	178,760	443,455	419,074
Total net assets	\$ 1,126,362	\$ 1,136,465	\$ 1,744,729	\$ 1,748,856	\$ 2,871,091	\$ 2,885,321

Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 28, 2007

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2007
Program revenues						
Charges for services	\$ 324,752	\$ 89,634	\$ 361,955	\$ 324,005	\$ 686,707	\$ 413,639
Operating grants and contributions	157,814	379,491	-	-	157,814	379,491
Capital grants and contributions	24,000	-	-	-	24,000	-
General revenue						
Property tax	280,745	260,494	-	-	280,745	260,494
State shared revenue	135,937	137,224	-	-	135,937	137,224
Unrestricted investment income	9,455	6,096	6,684	2,741	16,139	8,837
Miscellaneous	31,163	30,071	-	-	31,163	30,071
Gain on sale of assets	3,002	37,170	6,866	-	9,868	37,170
Total revenues	966,868	940,180	375,505	326,746	1,342,373	1,266,926
Program expenses						
General government	108,796	149,255	-	-	108,796	149,255
Public safety	355,832	322,987	-	-	355,832	322,987
Public works	373,945	368,985	-	-	373,945	368,985
Recreation and culture	11,773	15,827	-	-	11,773	11,773
Sewer Fund	-	-	225,593	197,688	225,593	197,688
Water Fund	-	-	154,039	159,664	154,039	159,664
Capital outlay	125,188	-	-	-	125,188	-
Interest on long-term debt	1,437	2,122	-	-	1,437	2,122
Total expenses	976,971	859,176	379,632	357,352	1,356,603	1,212,474
Change in net assets	\$ (10,103)\$	81,004 \$	(4,127)\$	(30,606)\$	(14,230)\$	54,452

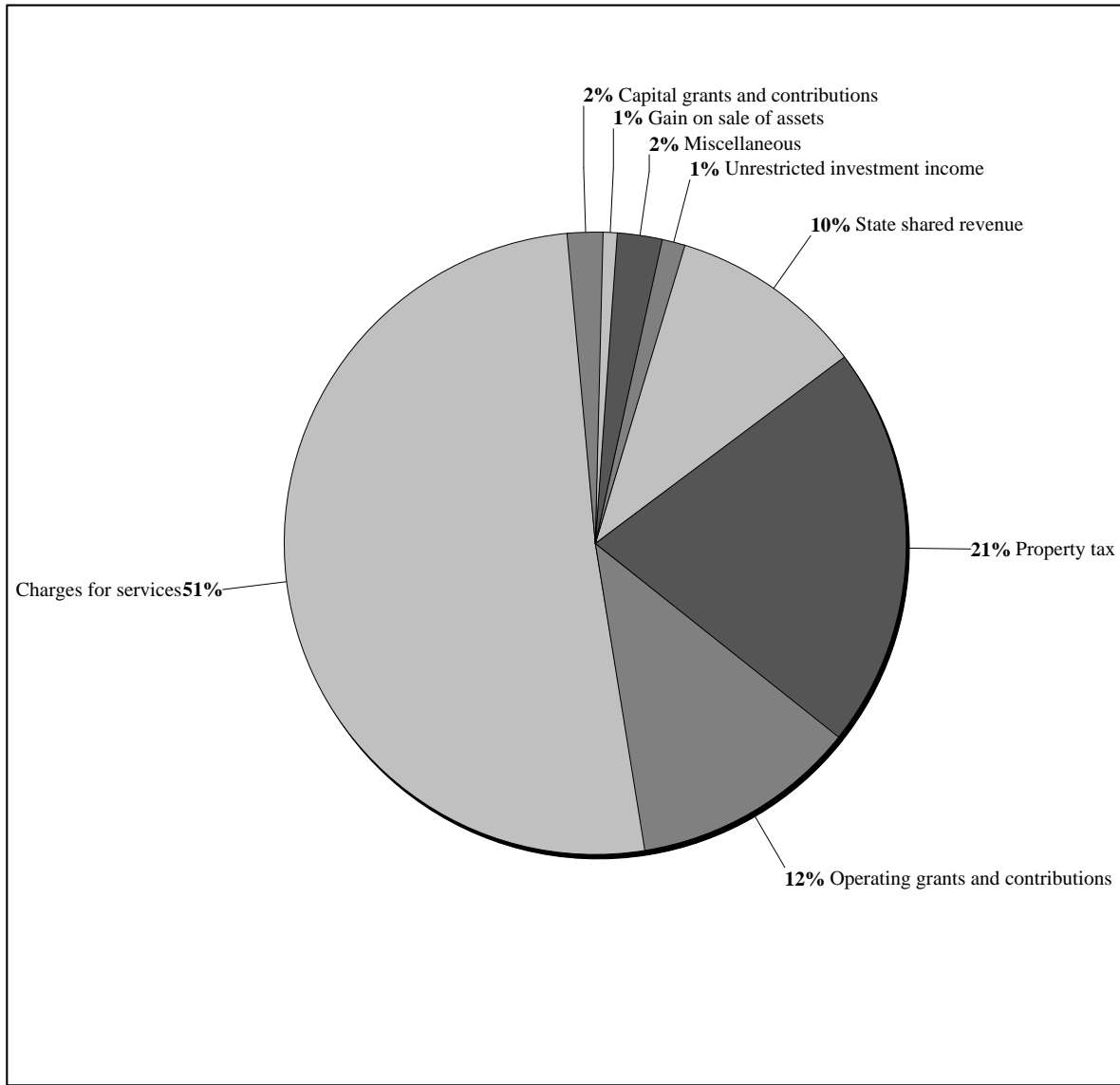
Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 28, 2007

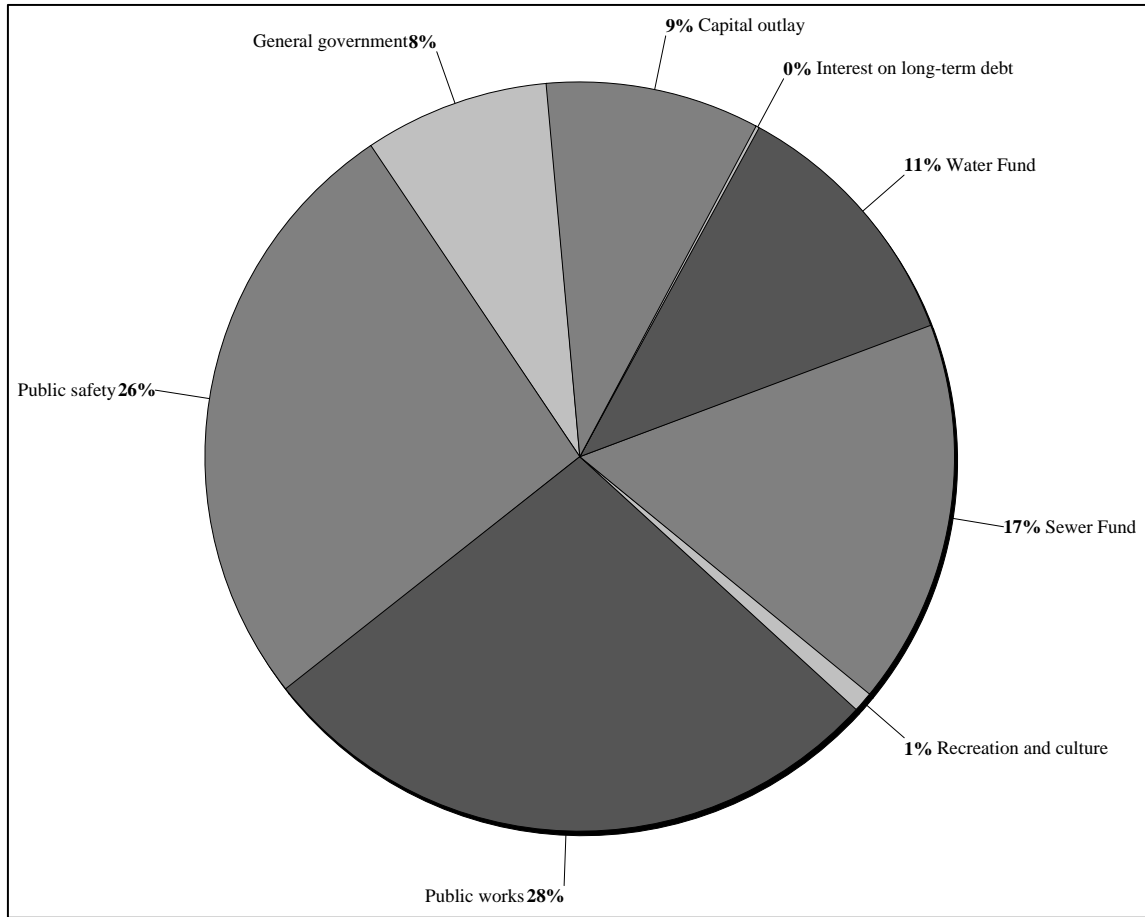
The following chart illustrates the sources of the Village's revenue.



Village of Howard City

Montcalm County, Michigan
Management Discussion and Analysis
For the year ended February 28, 2007

The following chart illustrates the Village's expenses.



Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 28, 2007

The Village's Funds

Our presentation of the Village's major funds begins on page 14, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2007 were the General Fund, the Major Streets and Local Streets Special Revenue Funds and the Ensley/Washburn and the 2007 Capital Projects Funds.

The General Fund Budget

Total actual expenditures of \$509,794 in the General Fund were approximately \$14,000 less than budgeted expenditures of \$523,695. Village personnel worked very diligently to keep expenditures within the budget.

Capital Asset and Debt Administration

At the end of 2007, the Village had \$4,189,314, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment and water and sewer lines.

The following table shows the Village's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Land	\$ -	\$ -	\$ 34,300	\$ 34,300	\$ 34,300	\$ 34,300
Buildings and improvements	87,000	90,000	-	-	87,000	90,000
Equipment	458,134	398,489	336	503	458,470	398,992
Internal service equipment fund	161,626	81,759	-	-	161,626	81,759
Infrastructure	1,345,217	1,365,866	2,102,701	2,191,373	3,447,918	3,557,239
Total net assets	\$ 2,051,977	\$ 1,936,114	\$ 2,137,337	\$ 2,226,176	\$ 4,189,314	\$ 4,162,290

Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 28, 2007

Economic Factors and Next Year's Budgets and Rates

The Village has applied for a Transportation Enhancement Grant to undergo a streetscape project in the Downtown which includes water, sewer and street improvements. This could result in the issuance of bonds in the amount of \$800,000 to complete the improvements.

The Village Council and the DDA has approved an expenditure of approximately \$50,000 in matching funds for an existing Transportation Enhancement Grant to construct a staging area along the White Pine Trail.

Due to the rapid growth of residential and commercial sewer customers, the wastewater treatment facility is nearing 90% capacity. This will require additional investment in the sewer infrastructure in the near future. The Village is currently in the planning and design phase of the wastewater treatment plant improvement project. The Village will submit an State Revolving Fund Grant/Loan application in 2007.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's Manager at the Howard City Village Hall, 125 Shaw Street, Howard City, Michigan, 49329. The Village's phone number is (231) 937-4311.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Village of Howard City

Montcalm County, Michigan

Statement of Net Assets

For the year ended February 28, 2007

	Governmental activities	Business type activities	Total	Component unit
ASSETS				
Cash and cash equivalents	\$ 282,627	\$ 185,574	\$ 468,201	\$ 98,647
Receivables (net)	-	37,675	37,675	17,438
Capital assets (net)	2,051,977	2,137,337	4,189,314	-
TOTAL ASSETS	\$ 2,334,604	\$ 2,360,586	\$ 4,695,190	\$ 116,085
LIABILITIES				
Accounts payable	\$ 9,554	\$ 756	\$ 10,310	\$ -
Accrued and other liabilities	15,240	17,740	32,980	-
Deferred revenue	-	361	361	-
Due within one year	84,307	-	84,307	-
Due in more than one year	1,099,141	597,000	1,696,141	-
TOTAL LIABILITIES	1,208,242	615,857	1,824,099	-
NET ASSETS				
Invested in capital assets	887,299	1,540,337	2,427,636	-
Unrestricted	239,063	204,392	443,455	116,085
TOTAL NET ASSETS	1,126,362	1,744,729	2,871,091	116,085
TOTAL LIABILITIES AND NET ASSETS	\$ 2,334,604	\$ 2,360,586	\$ 4,695,190	\$ 116,085

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Statement of Activities

For the year ended February 28, 2007

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<u>PRIMARY GOVERNMENT EXPENSES</u>			
General government	\$ 108,796	\$ 3,202	\$ -
Public safety	355,832	123,713	3,278
Public works	373,945	194,112	144,336
Recreation and culture	11,773	3,725	10,200
Capital outlay	125,188	-	-
Interest on long-term debt	1,437	-	-
Total Governmental activities	976,971	324,752	157,814
<u>BUSINESS TYPE EXPENSES</u>			
Sewer	225,593	193,631	-
Water	154,039	168,324	-
Total Business type activities	379,632	361,955	-
Total Primary government	1,356,603	686,707	157,814
<u>COMPONENT UNIT EXPENSES</u>			
Downtown Development Authority	\$ 22,694	\$ -	\$ -

General Revenues

Property taxes
State-shared revenue
Unrestricted investment income
Gain on sale
Miscellaneous

Total general revenues - special items and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The Notes to the Financial Statements are an integral part of this statement.

Capital grants and contributions	Governmental activities	Business-type activities	Total	Component unit
\$ -	\$ (105,594)	\$	\$ (105,594)	\$
-	(228,841)		(228,841)	
-	(35,497)		(35,497)	
-	2,152		2,152	
24,000	(101,188)		(101,188)	
-	(1,437)		(1,437)	
24,000	(470,405)		(470,405)	
-		(31,962)	(31,962)	
-		14,285	14,285	
-		(17,677)	(17,677)	
24,000	(470,405)	(17,677)	(488,082)	
\$ -			\$	(22,694)
	280,745	-	280,745	57,375
	135,937	-	135,937	-
	9,455	6,684	16,139	2,699
	3,002		3,002	
	31,163	6,866	38,029	3,465
	460,302	13,550	473,852	63,539
	(10,103)	(4,127)	(14,230)	40,845
	1,136,465	1,748,856	2,885,321	75,240
\$	1,126,362	\$ 1,744,729	\$ 2,871,091	\$ 116,085

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Governmental Funds

Balance Sheet

February 28, 2007

	General Fund	Major Street Fund	Local Street Fund	Ensley/ Washburn Project Fund	2007 Capital Projects Fund	Nonmajor Funds	Total
ASSETS							
Cash	\$ 55,500	\$ 19,799	\$ 4,159	\$ 167,903	\$ -	\$ 489	\$ 247,850
TOTAL ASSETS	\$ 55,500	\$ 19,799	\$ 4,159	\$ 167,903	\$ -	\$ 489	\$ 247,850
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 5,880	\$ 66	\$ -	\$ -	\$ -	\$ -	\$ 5,946
Due to other units of government	3,968	-	-	-	-	-	3,968
Payroll deductions payable	690	-	-	-	-	-	690
Accrued wages payable	8,904	-	-	-	-	-	8,904
TOTAL LIABILITIES	19,442	66	-	-	-	-	19,508
FUND BALANCES							
Reserved for							
Debt service	-	-	-	-	-	471	471
Streets	-	19,733	-	-	-	18	19,751
Capital projects	-	-	4,159	167,903	-	-	172,062
Unreserved	36,058	-	-	-	-	-	36,058
TOTAL FUND BALANCES	36,058	19,733	4,159	167,903		489	228,342
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,500	\$ 19,799	\$ 4,159	\$ 167,903	\$ -	\$ 489	\$ 247,850

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended February 28, 2007

Total fund balances - total governmental funds	\$	228,342
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	2,368,751
Accumulated depreciation	(478,400)
Net capital assets	1,890,351

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at February 28, 2007 were:

Bonds payable	(500,000)
Installment purchase contracts payable	(253,560)
Industrial Park Loan	(393,114)
Accrued absences	(18,770)
Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	173,113
Net assets of governmental activities	\$ 1,126,362

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended February 28, 2007

	General Fund	Major Street Fund	Local Street Fund	Ensley/ Washburn Project Fund	2007 Capital Projects Fund	Nonmajor Funds	Total
REVENUE							
Property taxes	\$ 210,798	\$ -	\$ -	\$ -	\$ -	\$ 73,207	\$ 284,005
Federal grants	10,200	-	-	-	24,000	-	34,200
State grants	138,502	109,826	44,878	-	-	-	293,206
Metro act	-	-	7,052	-	-	-	7,052
Licenses and permits	2,780	-	-	-	-	-	2,780
Fines and forfeits	2,908	-	-	-	-	-	2,908
Charges for services	135,724	-	-	-	-	-	135,724
Interest and rentals	6,589	446	62	5,544	-	213	12,854
Other revenue	17,106	340	-	-	-	-	17,446
TOTAL REVENUE	524,607	110,612	51,992	5,544	24,000	73,420	790,175
EXPENDITURES							
General government	99,868	-	-	-	-	-	99,868
Public safety	296,622	-	-	-	-	-	296,622
Public works	60,662	90,372	81,174	-	-	37,638	269,846
Recreation and culture	15,882	-	-	-	-	-	15,882
Other	36,760	-	-	-	-	-	36,760
Debt service	-	-	-	-	-	15,437	15,437
Capital projects	-	-	-	4,782	235,000	-	239,782
TOTAL EXPENDITURES	509,794	90,372	81,174	4,782	235,000	53,075	974,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,813	20,240	(29,182)	762	(211,000)	20,345	(184,022)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	16,000	53,000	-	-	11,839	80,839
Transfers out	(5,339)	(14,250)	(2,250)	-	-	(38,000)	(59,839)
Debt service	-	(17,420)	(17,420)	-	-	-	(34,840)
Bond proceeds	-	-	-	-	211,000	-	211,000
TOTAL OTHER FINANCING SOURCES (USES)	(5,339)	(15,670)	33,330	-	211,000	(26,161)	197,160
NET CHANGE IN FUND BALANCES	9,474	4,570	4,148	762	-	(5,816)	13,138
FUND BALANCES, BEGINNING OF YEAR	26,584	15,163	11	167,141	-	6,305	215,204
FUND BALANCES, END OF YEAR	\$ 36,058	\$ 19,733	\$ 4,159	\$ 167,903	\$ -	\$ 489	\$ 228,342

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended February 28, 2007

Net change in fund balances - total governmental funds	\$	13,138
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		131,557
An internal service fund is used by management to charge the cost of certain equipment to individual funds		71,628
Issuance of long-term debt		(211,000)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		72,643
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(95,591)
Accrued absences		(17,072)
Correction to last year		24,594
Change in net assets of government activities	\$	(10,103)

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Net Assets

February 28, 2007

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
ASSETS				
Current assets				
Cash	\$ 50,478	\$ 61,263	\$ 111,741	\$ 34,776
Accounts receivable	21,622	16,053	37,675	-
Total current assets	72,100	77,316	149,416	34,776
Noncurrent assets				
Restricted cash	60,582	13,251	73,833	-
Capital assets	1,619,172	518,165	2,137,337	161,626
Total Noncurrent assets	1,679,754	531,416	2,211,170	161,626
TOTAL ASSETS	\$ 1,751,854	\$ 608,732	\$ 2,360,586	\$ 196,402
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 236	\$ 520	\$ 756	\$ 1,485
Payroll deductions payable	-	-	-	3,801
Accrued interest payable	10,583	212	10,795	-
Customers deposits payable	58	6,887	6,945	-
Deferred revenue	361	-	361	-
Total current liabilities	11,238	7,619	18,857	5,286
Long-term debt				
Bonds payable	548,000	49,000	597,000	-
Notes payable	-	-	-	18,004
Total noncurrent liabilities	548,000	49,000	597,000	18,004
TOTAL LIABILITIES	559,238	56,619	615,857	23,290
NET ASSETS				
Invested in capital assets - net of related debt	1,071,172	469,165	1,540,337	139,825
Undesignated	121,444	82,948	204,392	33,287
TOTAL NET ASSETS	1,192,616	552,113	1,744,729	173,112
TOTAL LIABILITIES AND NET ASSETS	\$ 1,751,854	\$ 608,732	\$ 2,360,586	\$ 196,402

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended February 28, 2007

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<u>OPERATING REVENUE</u>				
Sales	\$ 193,631	\$ 168,324	\$ 361,955	\$ 95,382
<u>OPERATING EXPENSES</u>				
Personal services	75,236	66,474	141,710	29,566
Contractual services	14,161	30,739	44,900	18,743
Utilities	9,870	11,738	21,608	12,572
Repairs and maintenance	6,313	645	6,958	3,593
Rent	11,377	7,714	19,091	-
Other	337	884	1,221	2,868
Depreciation	71,916	16,923	88,839	41,607
TOTAL OPERATING EXPENSES	189,210	135,117	324,327	108,949
OPERATING INCOME (LOSS)	4,421	33,207	37,628	(13,567)
<u>NONOPERATING REVENUE (EXPENSES)</u>				
Interest and dividends	4,022	2,662	6,684	1,264
Interest expense	(26,362)	(5,818)	(32,180)	(1,862)
Other	6,866	-	6,866	556
Debt service	(10,021)	(13,104)	(23,125)	-
TOTAL NONOPERATING REVENUES (EXPENSE)	(25,495)	(16,260)	(41,755)	(42)
Income (loss) before contributions and transfers	(21,074)	16,947	(4,127)	(13,609)
Transfers out	-	-	-	(21,000)
Capital contributions	-	-	-	119,406
CHANGE IN NET ASSETS	(21,074)	16,947	(4,127)	84,797
NET ASSETS, BEGINNING OF YEAR	1,213,690	535,166	1,748,856	88,315
NET ASSETS, END OF YEAR	\$ 1,192,616	\$ 552,113	\$ 1,744,729	\$ 173,112

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended February 28, 2007

	Sewer Fund		Water Fund		Total	Governmental activities - Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from customers	\$	193,272	\$	168,466	\$ 361,738	\$ 95,382
Payments to suppliers		(41,822)		(52,786)	(94,608)	(36,291)
Payments to employees		(75,236)		(66,474)	(141,710)	(29,045)
Customer deposits		(60)		57	(3)	-
Due from other funds		-		-	-	15,000
Net cash provided (used) by operating activities		76,154		49,263	125,417	45,046
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Operating subsidies and transfers to other funds		-		-	-	(21,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Capital contributions		-		-	-	119,406
Purchase of capital assets		-		-	-	(121,476)
Principal and interest paid on capital debt		(71,063)		(20,883)	(91,946)	(15,502)
Other receipts (payments)		(3,155)		(13,104)	(16,259)	556
Net cash provided (used) by capital and related financing activities		(74,218)		(33,987)	(108,205)	(17,016)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest and dividends		4,022		2,662	6,684	1,264
Net increase (decrease) in cash and cash equivalents		5,958		17,938	23,896	8,294
Balances - beginning of year		105,102		56,576	161,678	26,482
Balances - end of year	\$	111,060	\$	74,514	\$ 185,574	\$ 34,776
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>						
Operating income (loss)	\$	4,421	\$	33,207	\$ 37,628	\$ (13,567)
Provided (used) by operating activities						
Depreciation expense		71,916		16,923	88,839	41,607
Receivables - net		222		142	364	-
Accounts and other payables		236		(1,066)	(830)	2,006
Deferred revenue		(581)		-	(581)	-
Collection of amounts due from other funds		-		-	-	15,000
Customer deposits		(60)		57	(3)	-
Net cash provided by operating activities	\$	76,154	\$	49,263	\$ 125,417	\$ 45,046

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended February 28, 2007

<u>Agency Fund Type</u>		
<u>ASSETS</u>		
Cash	\$	94
<u>LIABILITIES AND FUND BALANCE</u>		
Payroll withholdings payable	\$	94

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Howard City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Howard City.

A. Reporting Entity

The Village of Howard City was incorporated under the provisions of Act 8, P.A. 1895 as amended as a General Law Village. The Village operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village of Howard City's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Village of Howard City as of the preceding December 31st.

The Village of Howard City's 2006 ad valorem tax is levied and collectible on July 1, 2006, and is recognized as revenue in the year ended February 28, 2007, when the proceeds of the levy are budgeted for the financing of operations.

The 2006 taxable valuation of Village of Howard City totaled \$25,814,227, after capture for the Downtown Development Authority, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	9.1502 \$	236,205
Highway	3.2599	84,152

These amounts are recognized in the General Fund financial statements as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund and Local Streets Fund account for Act 51 money received from the State of Michigan for the maintenance and construction of streets in the Village.

The Ensley/Washburn Capital Project Fund accounts for bond proceeds and other revenue used to reconstruct parts of two streets.

The 2007 Capital Projects Fund accounts for the purchase of a fire truck and a dump truck using federal funds and money borrowed with an Act 99 Installment Purchase Agreement.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All unused vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented only for individual governmental funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village normally follows these procedures in establishing the budgetary data reflected in the financial statements:

The Village Administration submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.

The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Village hall to obtain taxpayer comments.

The budget is legally adopted by ordinance before March 1.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village Council throughout the operating year.

The Village adopts budgets for the General Fund and the Special Revenue Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Village Council.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the and Special Revenue funds.

The Village Manager is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Village Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Village of Howard City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At the year end, the Village had \$464,029 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance March 1, 2006	Additions	Disposals	Balance February 28, 2007
Capital assets being depreciated:				
Buildings	\$ 120,000	\$	\$	\$ 120,000
Equipment	648,475	114,594	20,010	743,059
Internal service equipment equipment	385,448	121,474		506,922
Infrastructure	1,488,729	16,963		1,505,692
Subtotal	2,642,652	253,031	20,010	2,875,673
Accumulated depreciation:				
Buildings	30,000	3,000		33,000
Equipment	249,986	54,949	20,010	284,925
Internal service equipment equipment	303,689	41,607		345,296
Infrastructure	122,863	37,612		160,475
Subtotal	706,538	137,168	20,010	823,696
Net capital assets being depreciated	1,936,114	115,863		2,051,977
Net capital assets	\$ 1,936,114	\$ 115,863	\$	\$ 2,051,977

Business-Type Activities	Balance March 1, 2007	Additions	Disposals	Balance February 28, 2007
Assets not being depreciated	\$ 34,300	\$	\$	\$ 34,300
Capital assets being depreciated:				
Buildings and improvements	3,610,530			3,610,530
Machinery and equipment	14,412			14,412
Subtotal	3,624,942			3,624,942
Accumulated depreciation:				
Buildings and improvements	1,419,157	88,672		1,507,829
Machinery and equipment	13,909	167		14,076
Subtotal	1,433,066	88,839		1,521,905
Net capital assets being depreciated	2,191,876	(88,839)		2,103,037
Net capital assets	\$ 2,226,176	\$ (88,839)	\$	\$ 2,137,337

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$	3,000
Public safety		54,949
Public works		79,219
Total governmental activities	\$	137,168

Business-Type activities:

Sewer	\$	71,916
Water		16,923
Total Business-Type activities	\$	88,839

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Transfers

Transfers In	Transfers Out						Total
	General Fund	Major Streets Fund	Local Streets Fund	Locally Raised Street Fund	Equipment Fund		
Major Street Fund	\$ -	\$ -	\$ -	\$ 16,000	\$ -	\$	16,000
Local Streets Fund	-	10,000	-	22,000	21,000		53,000
Locally Raised Street Fund	5,339	-	-	-	-		5,339
Street Bond Fund	-	4,250	2,250	-	-		6,500
Total	\$ 5,339	\$ 14,250	\$ 2,250	\$ 38,000	\$ 21,000	\$	80,839

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 6 - LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance March 1, 2006	Additions	Reductions	Balance February 28, 2007	Due within one year
Governmental activities					
General obligation bonds					
1997 Michigan Transportation Bonds	\$ 29,000	\$ -	\$ 14,000	\$ 15,000	\$ 15,000
2005 Michigan Transportation Bonds	500,000	-	15,000	485,000	15,000
Installment purchase agreements					
2006 Fire truck and dump truck	-	211,000	-	211,000	10,000
Fire truck purchase contract	55,371	-	12,811	42,560	13,475
Loans					
Renaissance Zone Loan through Michigan Strategic Fund	423,946	-	30,832	393,114	30,832
Compensated absences	1,698	17,072	-	18,770	-
Subtotal	1,010,015	228,072	72,643	1,165,444	84,307
Internal service fund					
Backhoe installment purchase contract	31,644	-	13,640	18,004	14,125
Total Governmental activities	1,041,659	228,072	86,283	1,183,448	98,432
Business type activities					
Revenue bonds					
1996 Sewer Bonds	21,000	-	21,000	-	-
1984 Sewer bonds	515,000	-	8,000	507,000	9,000
1997 Water and Sewer bonds	120,000	-	30,000	90,000	30,000
Total Business type activities	\$ 656,000	\$ -	\$ 59,000	\$ 597,000	\$ 39,000
Total Long-Term Debt	\$ 1,697,659	\$ 228,072	\$ 145,283	\$ 1,780,448	\$ 137,432

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

Annual debt service requirements to maturity for the above obligation follows:

February 28		Principal		Interest		Total
2008	\$	137,432	\$	58,243	\$	195,675
2009		118,886		53,672		172,558
2010		116,742		49,571		166,313
2011		72,832		46,249		119,081
2012		73,832		44,452		118,284
2013		74,832		42,609		117,441
2014		75,832		40,723		116,555
2015		81,832		38,793		120,625
2016		82,832		36,617		119,449
2017		84,832		34,375		119,207
2018		85,832		32,055		117,887
2019		86,832		29,691		116,523
2020		86,130		27,257		113,387
2021		64,000		24,558		88,558
2022		67,000		21,768		88,768
2023		48,000		19,328		67,328
2024		54,000		17,280		71,280
2025		55,000		14,986		69,986
2026		56,000		12,645		68,645
2027		22,000		10,260		32,260
2028		23,000		9,248		32,248
2029		25,000		8,167		33,167
2030		25,000		7,042		32,042
2031		27,000		5,873		32,873
2032		28,000		4,635		32,635
2033		30,000		3,330		33,330
2034		31,000		1,958		32,958
2035		28,000		630		28,630
Totals	\$	1,761,678	\$	696,015	\$	2,457,693

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 7 - SEGMENT INFORMATION

The Village operates two funds which provide sewage and water services. Summary financial information for the sewer department is presented below:

Condensed Statement of Net Assets

	Sewer Fund	Water Fund
Assets		
Current assets	\$ 72,100	\$ 77,316
Restricted assets	60,582	13,251
Capital assets	1,619,172	518,165
Total Assets	1,751,854	608,732
Liabilities		
Current liabilities	11,238	7,619
Noncurrent liabilities	548,000	49,000
Total Liabilities	559,238	56,619
Net Assets		
Invested in capital assets	1,071,172	469,165
Unrestricted	121,444	82,948
Total Net Assets	\$ 1,192,616	\$ 552,113

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund
Charges	\$ 193,631	\$ 168,324
Depreciation	(71,916)	(16,923)
Other operating expenses	(117,294)	(118,194)
Operating income	4,421	33,207
Nonoperating revenue (expense)		
Investment earnings	4,022	2,662
Interest expense	(26,362)	(5,818)
Debt service	(10,021)	(13,104)
Other	6,866	-
Total nonoperating revenue and expenses	(25,495)	(16,260)
Changes in net assets	(21,074)	16,947
Beginning net assets	1,213,690	535,166
Ending net assets	\$ 1,192,616	\$ 552,113

Condensed Statement of Cash Flows

	Sewer Fund	Water Fund
Net cash provided by (used in)		
Operating activities	\$ 76,154	\$ 49,263
Capital and related financing activities	(74,218)	(33,987)
Investing activities	4,022	2,662
Net increase (decrease) in cash	5,958	17,938
Beginning cash and cash equivalents	105,102	56,576
Ending cash and cash equivalents	\$ 111,060	\$ 74,514

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 8 - RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue bond restrictions	\$	73,833
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NOTE 9 - RISK MANAGEMENT

Village of Howard City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village of Howard City obtains commercial insurance coverage through the Michigan Municipal League for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The Village has no post-retirement benefit plans at this time other than its pension plan.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2007

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan

Plan Description--Village of Howard City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of Village of Howard City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy--The obligation to contribute to and maintain the system for these employees requires a contribution of 2.5 percent from all employees.

Annual Pension Costs --For year ended 2005, the Village of Howard City's annual pension cost of \$32,752 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal method. Significant actuarial assumptions used include: (i) an 8.00 percent investment rate of return; (ii) projected salary increases of 4.50 percent per year; and (iii) 0.00 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2005 follows:

	2005	2004	2003
Annual pension cost	\$ 28,120	\$ 32,993	\$ 30,438
Percentage of APC Contributed	100 %	100 %	100 %
Actuarial value of assets	\$ 757,936	\$ 738,285	\$ 712,164
Actuarial accrued liability	\$ 902,773	\$ 855,771	\$ 839,768
Unfunded AAL	\$ 144,837	\$ 117,486	\$ 127,604
Funded ratio	83.96 %	86.27 %	84.80 %
Covered payroll	\$ 303,821	\$ 245,794	\$ 295,593
UAAL as a percentage of covered payroll	47.67 %	47.80 %	43.17 %

Defined Contribution Pension Plan

Village of Howard City provides pension benefits to some of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the pension agreement, the Village of Howard City contributes 10% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are fully vested after 10 years of service.

Village of Howard City's total payroll during the current year was \$385,640. The current year contribution was calculated based on covered payroll of \$82,363, resulting in an employer contribution of \$8,236.

Required Supplemental Information

Village Of Howard City

Montcalm County, Michigan

General Fund

Balance Sheet

February 28, 2007

	2007	2006
ASSETS		
Cash	\$ 55,500	\$ 49,654
Due from other units of government	-	1,000
TOTAL ASSETS	\$ 55,500	\$ 50,654
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 5,880	\$ 5,256
Due to other funds	-	15,000
Due to other units of government	3,968	-
Payroll deductions payable	690	-
Accrued wages payable	8,904	3,814
TOTAL LIABILITIES	19,442	24,070
FUND BALANCES		
Undesignated fund balance	36,058	26,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,500	\$ 50,654

Village Of Howard City

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2007

	Original budget	Final budget	Actual	Variance with final budget	2006
REVENUES					
Property Taxes					
Current real property taxes	\$ 204,000	\$ 208,322	\$ 207,538	\$ (784)	\$ 202,390
Penalties and interest on taxes	30	43	58	15	36
Property tax administration fee	2,791	3,199	3,202	3	2,875
Total Property Taxes	206,821	211,564	210,798	(766)	205,301
Federal grants	-	-	-	-	5,000
State Grants					
State revenue sharing	139,000	124,000	135,937	11,937	137,224
Other state grants	1,750	2,565	2,565	-	1,769
Total State Grants	140,750	126,565	138,502	11,937	138,993
Licenses and Permits					
Non-business licenses and permits	1,500	2,560	2,780	220	1,280
Fines and forfeitures	1,000	2,500	2,908	408	875
Charges for Services					
Services rendered	103,792	121,404	120,404	(1,000)	84,593
Sales	2,800	15,149	15,320	171	3,886
Total Charges for Services	106,592	136,553	135,724	(829)	88,479
Interest and Rentals					
Interest and dividends	2,525	2,000	3,189	1,189	1,820
Rent	2,400	2,400	3,400	1,000	2,400
Total Interest and Rentals	4,925	4,400	6,589	2,189	4,220
Other Revenue					
Sale of fixed assets	9,000	3,151	3,417	266	41,223
Contributions and donations	135,200	13,925	13,925	-	2,165
Reimbursements	1,500	1,434	1,434	-	3,309
Other	10,500	8,713	8,530	(183)	10,236
Total Other Revenue	156,200	27,223	27,306	83	56,933
TOTAL REVENUES	617,788	511,365	524,607	13,242	501,081

Village Of Howard City

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2007

	Original budget	Final budget	Actual	Variance with final budget	2006
EXPENDITURES					
General government					
Village Council	\$ 16,813	\$ 15,181	\$ 8,549	\$ 6,632	\$ 9,184
Manager	209,439	52,714	55,086	(2,372)	74,976
Audit	2,500	2,500	2,500	-	2,100
Buildings and grounds	16,000	17,000	18,155	(1,155)	21,139
Attorney	14,000	16,000	15,578	422	23,558
Total General government	258,752	103,395	99,868	3,527	130,957
Public safety					
Police	227,097	201,203	205,921	(4,718)	233,762
Fire department	122,379	108,363	90,701	17,662	100,540
Total Public safety	349,476	309,566	296,622	12,944	334,302
Department of public works					
Public works	33,022	56,187	58,827	(2,640)	34,337
Sanitation	2,000	2,000	1,835	165	1,526
Total Department of public works	35,022	58,187	60,662	(2,475)	35,863
Recreation and culture					
Parks and recreation	-	15,959	15,882	77	21,451
Other governmental functions					
Insurance	38,500	36,588	36,760	(172)	30,254
TOTAL EXPENDITURES	681,750	523,695	509,794	13,901	552,827
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,962)	(12,330)	14,813	27,143	(51,746)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(3,039)	(5,339)	(2,300)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(3,039)	(5,339)	(2,300)	-
NET CHANGE IN FUND BALANCES	(63,962)	(15,369)	9,474	24,843	(51,746)
Fund balance at beginning of year	26,584	26,584	26,584	-	78,330
Fund balance at end of year	\$ (37,378)	\$ 11,215	\$ 36,058	\$ 24,843	\$ 26,584

Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Balance Sheet

February 28, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 19,799	\$ 10,211
Due from other funds	-	5,100
TOTAL ASSETS	\$ 19,799	\$ 15,311
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts payable	\$ 66	\$ 148
FUND BALANCES		
Reserved for streets	19,733	15,163
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,799	\$ 15,311

Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Budgetary Comparison Schedule

For the year ended February 28, 2007

	Original budget	Final budget	Actual	Variance with final budget	Prior year
REVENUE					
Michigan transportation fund	\$ 113,000	\$ 110,000	\$ 109,826	\$ 174	\$ 111,488
Interest and dividends	675	220	446	(226)	394
Other	-	-	340	(340)	225
TOTAL REVENUE	113,675	110,220	110,612	(392)	112,107
EXPENDITURES					
Street construction	5,000	5,000	5,000	-	3,919
Street preservation	61,450	64,288	60,484	3,804	58,483
Traffic services	1,000	300	352	(52)	1,769
Winter maintenance	21,383	17,383	19,193	(1,810)	25,327
Administration and engineering	9,525	5,014	5,343	(329)	9,740
TOTAL EXPENDITURES	98,358	91,985	90,372	1,613	99,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,317	18,235	20,240	(2,005)	12,869
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	16,000	16,000	-	-
Transfers out	(10,000)	(30,754)	(14,250)	16,504	(10,000)
Debt service	(25,042)	(7,747)	(17,420)	(9,673)	(7,500)
TOTAL OTHER FINANCING SOURCES (USES)	(20,042)	(22,501)	(15,670)	6,831	(17,500)
NET CHANGE IN FUND BALANCES	(4,725)	(4,266)	4,570	4,826	(4,631)
Fund balance	15,163	15,163	15,163	-	19,794
Fund balance at end of year	\$ 10,438	\$ 10,897	\$ 19,733	\$ 4,826	\$ 15,163

Village of Howard City

Montcalm County, Michigan

Local Street Special Revenue Fund

Balance Sheet

February 28, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 4,159	\$ 2,208
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 197
Due to other funds	-	2,000
TOTAL LIABILITIES	-	2,197
<u>FUND BALANCES</u>		
Reserved for streets	4,159	11
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,159	\$ 2,208

Village of Howard City

Montcalm County, Michigan

Local Street Special Revenue Fund

Budgetary Comparison Schedule

For the year ended February 28, 2007

	Original budget	Final budget	Actual	Variance with final budget	Prior year
REVENUE					
Michigan transportation fund	\$ 46,000	\$ 45,000	\$ 44,878	\$ 122	\$ 45,231
Metro Act	3,000	7,052	7,052	-	7,657
Interest and dividends	337	-	62	(62)	68
TOTAL REVENUE	49,337	52,052	51,992	60	52,956
EXPENDITURES					
Street construction	5,000	1,200	1,137	63	-
Street preservation	42,508	57,986	56,261	1,725	46,201
Traffic services	500	500	487	13	70
Winter maintenance	13,383	14,083	18,298	(4,215)	15,385
Administration and engineering	7,603	4,600	4,991	(391)	7,587
TOTAL EXPENDITURES	68,994	78,369	81,174	(2,805)	69,243
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,657)	(26,317)	(29,182)	2,865	(16,287)
OTHER FINANCING SOURCES (USES)					
Transfers in	44,000	53,000	53,000	-	10,000
Transfers out	-	-	(2,250)	(2,250)	-
Debt service	(25,042)	(7,747)	(17,420)	(9,673)	(7,500)
TOTAL OTHER FINANCING SOURCES (USES)	18,958	45,253	33,330	(11,923)	2,500
NET CHANGE IN FUND BALANCES	(699)	18,936	4,148	(9,058)	(13,787)
Fund balance at beginning of year	11	11	11	-	13,798
Fund balance at end of year	\$ (688)	\$ 18,947	\$ 4,159	\$ (9,058)	\$ 11

Village of Howard City

Montcalm County, Michigan

Ensley/Washburn Project Fund

Balance Sheet

February 28, 2007

<u>2007</u>	
<u>ASSETS</u>	
Cash	\$ 167,903
<u>LIABILITIES AND FUND BALANCES</u>	
<u>FUND BALANCE</u>	
Reserved for construction	\$ 167,903

Village of Howard City

Montcalm County, Michigan

Ensley/Washburn Project Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2007

	2007
<u>REVENUE</u>	
Interest and dividends	\$ 5,544
<u>EXPENDITURES</u>	
Capital outlay	4,782
NET CHANGE IN FUND BALANCES	762
Fund balance beginning of year	167,141
Fund balance end of year	\$ 167,903

Montcalm County, Michigan
2006 Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended February 28, 2007

	<u>2007</u>
<u>REVENUE</u>	
Federal grants	\$ 24,000
<u>EXPENDITURES</u>	
Capital outlay	235,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211,000)
<u>OTHER FINANCING SOURCES (USES)</u>	
Bond or note issuance	211,000
NET CHANGE IN FUND BALANCES	-
Fund balance beginning of year	-
Fund balance end of year	\$ -

Other Supplemental Information

Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Balance Sheet

February 28, 2007

	Special Revenue Fund		Debt Service Fund		
	Locally Raised Streets Fund		Street Bond Fund		Total
<u>ASSETS</u>					
Cash	\$	18	\$	471	\$ 489
<u>LIABILITIES AND FUND BALANCES</u>					
FUND BALANCES					
Reserved for					
Streets		18	-		18
Debt service		-		471	471
TOTAL FUND BALANCES		18		471	489
TOTAL LIABILITIES AND FUND BALANCES					
	\$	18	\$	471	\$ 489

Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2007

	Special Revenue Fund		Debt Service Fund		
	Locally Raised Streets Fund		Street Bond Fund		Total
REVENUE					
Property taxes	\$	73,207	\$	-	\$ 73,207
Interest and dividends		146		67	213
TOTAL REVENUE		73,353		67	73,420
EXPENDITURES					
Public Works		37,638		-	37,638
Debt service		-		15,437	15,437
TOTAL EXPENDITURES		37,638		15,437	53,075
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
		35,715		(15,370)	20,345
OTHER FINANCING SOURCES (USES)					
Transfers in		5,339		6,500	11,839
Transfers out		(38,000)		-	(38,000)
TOTAL OTHER FINANCING SOURCES (USES)		(32,661)		6,500	(26,161)
NET CHANGE IN FUND BALANCES					
		3,054		(8,870)	(5,816)
FUND BALANCES, BEGINNING OF YEAR		(3,036)		9,341	6,305
FUND BALANCES, END OF YEAR					
	\$	18	\$	471	\$ 489

Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Balance Sheet

February 28, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 18	\$ 64
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Due to other funds	\$ -	\$ 3,100
<u>FUND BALANCES</u>		
Reserved for streets	18	(3,036)
TOTAL LIABILITIES AND FUND BALANCES	\$ 18	\$ 64

Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Budgetary Comparison Schedule

For the year ended February 28, 2007

	Original budget	Final budget	Actual	Variance with final budget	2006
REVENUE					
Taxes	\$ 75,075	\$ 73,130	\$ 73,207	\$ 77	\$ 68,426
Interest and dividends	337	110	146	36	482
TOTAL REVENUE	75,412	73,240	73,353	113	68,908
EXPENDITURES					
Street construction	-	875	875	-	650
Street preservation	-	50	43	7	10,574
Street lighting	16,000	17,500	16,990	510	16,128
Capital outlay	179,000	12,022	12,022	-	66,978
Principal payments	9,250	-	7,708	(7,708)	15,416
TOTAL EXPENDITURES	204,250	30,447	37,638	(7,191)	109,746
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(128,838)	42,793	35,715	(7,078)	(40,838)
OTHER FINANCING SOURCES (USES)					
Transfers in	165,000	3,039	5,339	2,300	-
Transfers out	(49,000)	(38,000)	(38,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	116,000	(34,961)	(32,661)	2,300	-
NET CHANGE IN FUND BALANCES	(12,838)	7,832	3,054	(4,778)	(40,838)
Fund balance beginning of year	(3,036)	(3,036)	(3,036)	-	37,802
Fund balance end of year	\$ (15,874)	\$ 4,796	\$ 18	\$ (4,778)	\$ (3,036)

Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Balance Sheet

February 28, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 471	\$ 9,336
<u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCES		
Fund balance	\$ 471	\$ 9,341

Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2007

	2007	2006
<u>REVENUE</u>		
Interest and dividends	\$ 67	\$ 126
<u>EXPENDITURES</u>		
Principal	14,000	13,000
Interest	1,437	1,822
Fees	-	300
<u>TOTAL EXPENDITURES</u>	15,437	15,122
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	(15,370)	(14,996)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in	6,500	15,000
NET CHANGE IN FUND BALANCES	(8,870)	4
<u>Fund balance beginning of year</u>	9,341	9,337
<u>Fund balance end of year</u>	\$ 471	\$ 9,341

Long-term Debt Schedules

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$211,000 2006 Act 99 Installment Purchase Agreement

February 28, 2007

Year ended	Interest Rate	May 1 Principal	May 1 Interest	November 1 Interest	Total
2008	4.375%	\$ 10,000	\$ 4,616	\$ 4,397	\$ 19,013
2009	4.375%	11,000	4,397	4,156	19,553
2010	4.375%	11,000	4,156	3,916	19,072
2011	4.375%	12,000	3,916	3,653	19,569
2012	4.375%	12,000	3,653	3,391	19,044
2013	4.375%	13,000	3,391	3,106	19,497
2014	4.375%	13,000	3,106	2,822	18,928
2015	4.375%	14,000	2,822	2,516	19,338
2016	4.375%	14,000	2,516	2,209	18,725
2017	4.375%	15,000	2,209	1,881	19,090
2018	4.375%	16,000	1,881	1,531	19,412
2019	4.375%	16,000	1,531	1,181	18,712
2020	4.375%	17,000	1,181	809	18,990
2021	4.375%	18,000	809	416	19,225
2022	4.375%	19,000	416	-	19,416
Totals		\$ 211,000	\$ 40,600	\$ 35,984	\$ 287,584

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$585,000 Sewer System Revenue Bonds, Series 1994

February 28, 2007

Year ended February 28,	Interest Rate	April 1 Principal	April 1 Interest	October 1 Interest	Total
2008	4.500%	\$ 9,000	\$ 11,407	\$ 11,205	\$ 31,612
2009	4.500%	9,000	11,205	11,003	31,208
2010	4.500%	10,000	11,003	10,777	31,780
2011	4.500%	10,000	10,777	10,553	31,330
2012	4.500%	11,000	10,553	10,305	31,858
2013	4.500%	11,000	10,305	10,057	31,362
2014	4.500%	12,000	10,057	9,788	31,845
2015	4.500%	12,000	9,788	9,517	31,305
2016	4.500%	13,000	9,517	9,225	31,742
2017	4.500%	14,000	9,225	8,910	32,135
2018	4.500%	14,000	8,910	8,595	31,505
2019	4.500%	15,000	8,595	8,258	31,853
2020	4.500%	16,000	8,258	7,897	32,155
2021	4.500%	16,000	7,897	7,538	31,435
2022	4.500%	18,000	7,538	7,132	32,670
2023	4.500%	18,000	7,132	6,728	31,860
2024	4.500%	19,000	6,728	6,300	32,028
2025	4.500%	20,000	6,300	5,850	32,150
2026	4.500%	21,000	5,850	5,377	32,227
2027	4.500%	22,000	5,377	4,883	32,260
2028	4.500%	23,000	4,883	4,365	32,248
2029	4.500%	25,000	4,365	3,802	33,167
2030	4.500%	25,000	3,802	3,240	32,042
2031	4.500%	27,000	3,240	2,633	32,873
2032	4.500%	28,000	2,633	2,002	32,635
2033	4.500%	30,000	2,002	1,328	33,330
2034	4.500%	31,000	1,328	630	32,958
2035	4.500%	28,000	630	-	28,630
Totals		\$ 507,000	\$ 199,305	\$ 187,898	\$ 894,203

Village of Howard City

Village of Howard City

Schedule of Debt

\$439,362 Renaissance Zone Loan

February 28, 2007

Year ended February 28,	Interest Rate	Principal	Interest	Total
2008	0.000%	\$ 30,832	\$ -	\$ 30,832
2009	0.000%	30,832	-	30,832
2010	0.000%	30,832	-	30,832
2011	0.000%	30,832	-	30,832
2012	0.000%	30,832	-	30,832
2013	0.000%	30,832	-	30,832
2014	0.000%	30,832	-	30,832
2015	0.000%	30,832	-	30,832
2016	0.000%	30,832	-	30,832
2017	0.000%	30,832	-	30,832
2018	0.000%	30,832	-	30,832
2019	0.000%	30,832	-	30,832
2020	0.000%	23,130	-	23,130
Totals		\$ 393,114	\$ -	\$ 393,114

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$115,000 1997 Michigan Transportation Bonds

February 28, 2007

Year ended February 28,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2008	5.200%	\$ 15,000	\$ 390	\$ -	\$ 15,390
Totals		\$ 15,000	\$ 390	\$ -	\$ 15,390

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$190,000 Water and Sewer System Revenue Bonds, Series 1997

February 28, 2007

Year ended February 28,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2008	5.200%	\$ 30,000	\$ 2,363	\$ 1,583	33,946
2009	5.250%	30,000	1,583	795	32,378
2010	5.300%	30,000	795	-	30,795
Totals		\$ 90,000	\$ 4,741	\$ 2,378	97,119

Village of Howard City

Village of Howard City

Schedule of Debt

\$120,000 Fire Truck Installment Purchase Agreement

February 28, 2007

Year ended	Interest					
February 28,	Rate	Principal	Interest	Total		
2008	5.190%	\$ 13,475	\$ 2,209	\$ 15,684		
2009	5.190%	14,175	1,509	15,684		
2010	5.190%	14,910	774	15,684		
Totals		\$ 42,560	\$ 4,492	\$ 47,052		

Village of Howard City

Village of Howard City

Schedule of Debt

\$67,100 Backhoe Installment Purchase Agreement

February 28, 2007

Year ended	Interest					
February 28,	Rate	Principal	Interest	Total		
2008	3.500%	\$ 14,125	\$ 523	\$ 14,648		
2009	3.500%	3,879	74	3,953		
Totals		\$ 18,004	\$ 597	\$ 18,601		

Village of Howard City

Village of Howard City

Schedule of Debt

\$500,000 2005 Michigan Transportation Fund Bonds

February 28, 2007

Year ended February 28,	Interest Rate	Principal	April 1 Interest	October 1 Interest	Total
2008	4.000%	\$ 15,000	\$ 9,775	\$ 9,775	\$ 34,550
2009	4.000%	20,000	9,475	9,475	38,950
2010	4.000%	20,000	9,075	9,075	38,150
2011	4.000%	20,000	8,675	8,675	37,350
2012	4.000%	20,000	8,275	8,275	36,550
2013	4.000%	20,000	7,875	7,875	35,750
2014	4.000%	20,000	7,475	7,475	34,950
2015	4.000%	25,000	7,075	7,075	39,150
2016	4.000%	25,000	6,575	6,575	38,150
2017	4.050%	25,000	6,075	6,075	37,150
2018	4.050%	25,000	5,569	5,569	36,138
2019	4.050%	25,000	5,063	5,063	35,126
2020	4.050%	30,000	4,556	4,556	39,112
2021	4.050%	30,000	3,949	3,949	37,898
2022	4.050%	30,000	3,341	3,341	36,682
2023	4.050%	30,000	2,734	2,734	35,468
2024	4.050%	35,000	2,126	2,126	39,252
2025	4.050%	35,000	1,418	1,418	37,836
2026	4.050%	35,000	709	709	36,418
Totals		\$ 485,000	\$ 109,815	\$ 109,815	\$ 704,630

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Village Council
Village of Howard City
Montcalm County, Michigan

We have audited the general purpose financial statements of Village of Howard City, Montcalm County, Michigan for the year ended February 28, 2007, and have issued our report thereon dated May 21, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 17, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

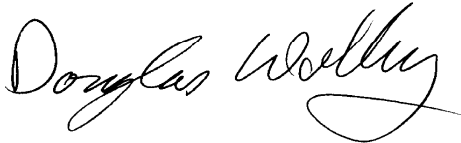
As part of our audit, we considered the internal control of Village of Howard City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Howard City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Howard City are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended February 28, 2007. We noted no transactions entered into by Village of Howard City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Village Village Council and management of Village of Howard City and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
May 21, 2007

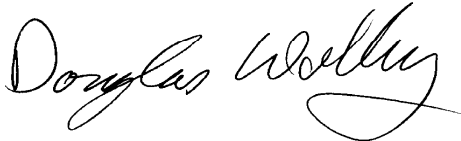
MANAGEMENT COMMENTS LETTER

To the Village Council
Village of Howard City
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Village of Howard City for the year ended February 28, 2007 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 21, 2007 on the financial statements of Village of Howard City.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is fluid and cursive, with the first name "Douglas" and last name "Wohlberg" clearly distinguishable.

Douglas Wohlberg, CPA
Byron Center, Michigan
May 21, 2007

MANAGEMENT COMMENTS LETTER

To the Village Council
Village of Howard City
Montcalm County, Michigan

Page 2

Prior comments and suggestions

1. The Locally Raised Street Fund has a deficit fund balance of \$3,036. I recommend the Village management establish a budget without including cash balances as fund revenues.

Resolution: The Village transferred sufficient money from the General Fund to correct the deficit.

2. The Municipal Services Department has incorrectly charged the Local Streets Fund with employee time that should have been taken from the General Fund. I recommend the Village adopt policies and procedures to ensure that all employee time is well documented and charged to the correct fund.

Resolution: Village personnel have implemented an improved time recording system for the Municipal Services Department and have practiced better oversight of employee time reporting.

Current comments and suggestions

We have no comments for the current year.